

TEACHERS' RETIREMENT PUBLIC EDUCATION EXPERIENCE FAQs

What is the Teachers' Retirement System (TRS) Public Education Experience service credit purchase program?

Beginning Jan. 1, 2007, eligible members will have an opportunity to purchase service credit for public education experience they have earned outside the Washington state retirement system. The service credit they purchase will be considered membership service and they may use it to qualify for retirement or early retirement.

Am I eligible for service credit through this program?

You are eligible if you are an active member of TRS Plans 2 or 3, and you have earned at least five years of TRS service credit.

How much service credit may I purchase?

You may purchase up to seven years in a single purchase. For example, if you purchase four years of public education experience in January 2007, you will not be able to purchase additional public education experience service credit again.

What type of public education experience qualifies for service credit purchase?

Qualifying public education experience is that which you have earned as a teacher in a public school in another U.S. state or with the U.S. federal government. In either case, your employer must have provided you with a retirement or pension plan. Your former retirement system is required to verify this information on the application form. The application will be available in January 2007 on the DRS Web site or by contacting TRS.

Do I need to give up my right to a benefit from my previous retirement system for the service credit I purchase in TRS?

No. At the time you purchase service credit in TRS, you only need to prove that you are **not currently** receiving a benefit from your previous system, and that you are **not currently** eligible for an unreduced benefit. You will need to send the application, with your member information completed, to your previous retirement system to verify this information.

How much does it cost to purchase the service credit?

You must pay the actuarial equivalent value of the resulting increase in your future benefit. The actuarial equivalent value is the amount we need today, to pay for the increase in your monthly benefit over your lifetime.

We use this Service Credit Purchase Cost formula to calculate your cost:

$$\text{Cost} = \text{Annual Average Final Compensation (AFC)} \times \text{Service Credit Being Purchased} \times \text{Factor 1}$$

Annual Average Final Compensation is your highest average earnings over a five year period at the time of purchase.

Service Credit Being Purchased is the amount of service credit you would like to purchase.

Factor 1 is from the Actuarial Factor Table (WAC 415-02-370) provided by the Office of the State Actuary. The factor is based on the number of months between your age at the date you purchase the service credit and the age at which you would be eligible to retire with an unreduced retirement allowance (URA).

This example shows you how the Service Credit Purchase Cost formula works:

Ron is an active TRS Plan 2 member who currently has 17 years of service. Ron is 61. His annual average final compensation is \$50,000. Ron wants to purchase 3 years of his eligible public education experience service credit to add to his current TRS service credit.

TRS Plan 2 members can get an unreduced retirement allowance (URA) at 65. Since Ron is currently 61, he is eligible for an unreduced retirement allowance in 48 months. The factor for TRS Plan 2 with a URA of 48 months is 0.2151.

We calculate the cost of Ron's service credit purchase like this:

$$\begin{aligned} \text{Annual AFC} \times \text{Service Credit Being Purchased} \times \text{Factor 1} &= \text{Cost} \\ \$50,000 \times 3 \text{ years} \times 0.2151 &= \$32,265 \end{aligned}$$

Ron's total cost to purchase three years of service credit is **\$32,265**.

How do I apply for the service credit purchase?

You must request a DRS application for your service credit purchase. It must be completed by you and your former retirement system, verifying your previous service. The application will be available in January 2007.

When do I pay?

You must pay your service credit bill in full within 90 days of the bill due date. You will receive your bill **after** we receive your application.

Can I make installment payments?

You are not allowed to make installment payments.

What type of payments do you accept?

You may make your payment with an eligible rollover, a direct rollover or a trustee-to-trustee transfer from an eligible retirement plan. You may also make your payment with a personal check, cashier's check or money order. But IRS regulations limit the amount of after-tax dollars, such as those from your personal savings account, you can use for this type of purchase. Please consult a tax advisor for more information

Can I retire before I send DRS my payment?

No. We must receive your complete payment before you retire.

Can I get a bill for my service credit purchase from DRS before January 2007?

No. We will not create bills before January 2007.

Can my employer choose to contribute to the purchase?

Your employer may choose to contribute to the cost of the service credit purchased as part of your payment. Payments sent in by employers must reference your bill number on their check.

Where can I go for more information?

We will post more information about purchasing public education experience service credit to this Web site in late fall 2006. Check back then to use a calculator that will help you estimate the cost of purchasing this service credit. You may also contact a Retirement Services Analyst at recep@drs.wa.gov. Or call us at (360) 664-7000, or toll-free (outside the Olympia area) 1-800-547-6657.